IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

Administrative Order No. 94-3

JUDGE RANDOLPH BAXTER

DISCLOSURE STATEMENT GUIDELINE

The following is a guideline for use by plan proponents appearing before the Honorable Randolph Baxter in preparing disclosure statements for approval pursuant to 11 U.S.C. § 1125. This guideline is intended to assist the proponent by providing a list of information the Court looks for in a disclosure statement.

1. Description of business, including:
- **Debtor's history prior to filing.**
- **Reason for bankruptcy filing.**

2. Financial Information
- **Description of assets, their value, bases for the valuation.**
- **Historical financial statements going back 3 years prepetition.**
- **Financial statements for the period post-petition through date of disclosure statement.**
- **Projected financial statements* for a minimum of 5 years and maximum for the life of the plan, including all assumptions, seasonal swings, and other relevant factors upon which the projections are based.**
- **The accounting process used in preparing these statements and the source of information.**

3. Liquidation Analysis*

4. Description of Plan
- **Method of execution, including the dollar amounts to be paid each class and the dates on which each payment will be made.**
- **Source of funds.**

5. Description of post-confirmation management, including salaries.

6. Disclosure of professional fees paid/to be paid.

7. Statement regarding insider transactions/claims (if none, a negative statement is required).

8. Description of pending or contemplated litigation (if none, a negative statement is required).

9. Tax consequences (e.g., capital gains, if property is sold).

*LIQUIDATION ANALYSIS AND FINANCIAL PROJECTIONS

Title 11 U.S.C. § 1125(b) states that a disclosure statement may be approved without a valuation of debtor or an appraisal of debtor's assets. Notwithstanding, it is the position of most courts, including this one, that a disclosure statement must contain a liquidation analysis so that the holders of claims and interests can compare what they would receive in a Chapter 7 case to the proposed payout under the Chapter 11 plan. An acceptable liquidation plan requires, at a minimum, valuation of debtor's assets.

A liquidation analysis should contain asset descriptions, current valuations, liquidation valuations, amount of secured debt on each asset and the amount that would be available for distribution upon liquidation. The information should be presented in an easy to read format. The following is an example:

Asset Description	Current Value	Liquidation Value	Secured Debt	Available for distribution if Liquidated.
Securities	10,000	9,000	10,000	0
Receivables	8,000	6,000	8,000	0
Pressbrake	50,000	25,000	35,000	0
Printer	10,000	5,000	1,000	4,000
P. Computer	5,000	2,000	0	2,000
Real Property	200,000	200,000	125,000	75,000
				81,000

The spread sheet of valuation information must be accompanied by a narrative description that supports the factual bases for the values contained therein, i.e., owner estimate (guess, comparison to other property, recent offer), book value, appraisal by bank or broker, including the date of the appraisal, etc.

The above sample liquidation analysis assumes that the liquidation of the debtor would be by piecemeal sale of the assets of the debtor. Although this is the most common method of liquidation, it is not the only method of liquidating a debtor. Liquidation analyses for alternative liquidation methods (i.e., sale of stock) such as market value or going concern value, must contain a supporting statement as to why that liquidation method is viable and why the alternative valuation method is accurate for the method of liquidation. See, In re Crowthers McCall Pattern, Inc., 120 B.R. 279 (Bankr. S.D.N.Y. 1990) and In re Public Service Co. of New Hampshire, 114 B.R. 820 (Bankr. N.D.H. 1990).

*FINANCIAL PROJECTIONS

The disclosure statement should also set forth the proposed amounts of payments to each class of holders under the plan, including the dates of each payment. In addition to being set forth in the narrative description of treatment of classes, the payments should be projected in the financial statements of income and expenses for the company. Such projections should be in spread sheet form and should cover each year of the proposed plan.

	Year 1	Year 2	Year 3	Year 4	Year 5
Gross sales	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX
Cost of sales	XXXX	XXXX	XXXX	XXXX	XXXX
Profit margin	XXXX	XXXX	XXXX	XXXX	XXXX
Operating costs					
rent	XXX	XXX	XXX	XXX	XXX
electric	X	X	X	X	X
etc.	X	X	X	X	X
Plan payments					
Class 1	XX	XX	XX		
Class 2	XX	XX	X	X	X
Class 3	X	X	X	X	X
Class 4	X				
Total Plan Payments	XX	XX	XX	X	X
Total operating costs	XXXX	XXXX	XXXX	XXXX	XXXX
Operating income	XX	XX	XX	XX	XX
Taxes	XX	XX	XX	XX	XX
Net income	X	X	X	X X	X X

THE ABOVE EXAMPLE IS INTENDED ONLY TO DEMONSTRATE THE AMOUNT OF DETAIL THAT IS TO BE ACCORDED PLAN PAYMENTS IN THE FINANCIAL PROJECTIONS AND IS NOT INTENDED TO SUGGEST THE APPLICABLE ACCOUNTING/TAX TREATMENT TO BE ACCORDED THE PLAN PAYMENTS. IF PLAN PAYMENTS ARE NOT TO BE DEDUCTED IN CALCULATING NET INCOME, THEN THE PLAN PAYMENTS SHOULD BE DISCLOSED IN THE FINANCIAL PROJECTIONS ACCORDING TO THE MANNER IN WHICH DEBTOR PLANS TO PAY THEM. ACCOUNTING/TAX TREATMENT IS TO BE DETERMINED BY THE DEBTOR.

IT IS SO ORDERED.

Dated this ______ day of

October, 1994

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RANDOLPH BAXTER
UNITED STATES BANKRUPTCY COURT